

Message Text

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ACTION EUR-25

INFO OCT-01 AF-10 NEA-10 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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E.O. 11652: GDS

TAGS: ENRG, SP, OVIP

SUBJ: YAMANI AND ABDESSIAM MEET WITH SPANISH

AUTHORITIES ON PETROLEUM SITUATION: POSSIBLE

MEETING BETWEEN SPANISH MINISTERS AND SEC KISSINGER

REF: MADRID 210

1. JAN 8 SAUDI PETROLEUM MINISTER AHMED ZAKGJGL
YAMANI AND ALGERIAN INDUSTRY AND ENERGY MINISTER
BELAID ABDESSLAM MADE A SERIES OF HIGH LEVEL CALLS ON
SPANISH AUTHORITIES FOR THE PURPOSE OF DISCUSSING
PETROLEUM PROBLEMS AND TO EXPLAIN RELATED ARAB POLI-
CIES. MEETINGS WERE HELD WITH FRANCO, THE NEW
PRESIDENT OF GOVERNMENT ARIAS NAVARRO, 2 ND VICE
PRESIDENT AND FINANCE MINISTER BARRERA DE IRIMO,
FOREIGN
MINISTER CORTINA, AND INDUSTRY MINISTER SANTOS
BLANCO. PARTICIPANT IN THE SUBSTANTIVE TALKS WAS
FINANCE MINISTRY UNDER SECRETARY FRANCISCO FERNANDEZ
ORDONEZ, WHO INFORMED AN EMBASSY OFFICER OF THE CONTENT

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OF THE CONVERSATION AS FOLLOWS:

2. ABESSLAM SAID THAT ONE OF THE REASONS FOR THE ARAB POLICIES IS THAT THE REST OF THE WORLD HAS NOT BEEN PAYING ATTENTION TO THE ARABS, THEREFORE, PETROLEUM HAD TO BE USED AS A POLITICAL WEAPON TO RECTIFY THIS SITUATION. RECENTLY THERE HAS BEEN SOME DEMONSTRATION OF RECOGNITION OF THE ARAB CASE AND THEREFORE THERE HAS BEEN SOME RELAXATION OF CONTROLS ON OIL SUPPLIES. THE CURRENT VISIT WAS NOT TO DISCUSS PRICES. IN ANY CASE, THE ARABS ARE NOT THE ONLY RESPONSIBLE FACTORS FOR THE RISE IN PRICES. GENERAL WORLD-WIDE INFLATION AND AN INCREASE IN THE COST OF OTHER RAW MATERIALS HAS AFFECTED THE ARAB COUNTRIES, ESPECIALLY SINCE THEY ARE LDC'S AND MUST THEREFORE MAKE CONSIDERABLE IMPORTS. TO PAY FOR THESE THEY MUST DEPEND UPON THEIR OIL REVENUES WHICH HAD TO BE INCREASED TO COMPENSATE FOR THE INCREASED IMPORT COSTS. FURTHERMORE, ABDESSIAM SAID UNTIL NOW THE PROFITS FROM THE PETROLEUM EXPLOITATIONS HAVE REMAINED PRINCIPALLY WITH THE CONSUMER COUNTRIES. NOW THIS MUST BE CHANGED.

3. CONTINUING ON THE SUBJECT OF PRICES, YAMANI STATED THAT IT WAS NOT THE ARABS WHO HAVE BEEN RESPONSIBLE FOR THE INCREASE IN PRICES. HE STRONGLY INDICTED IRAN FOR HAVING BROUGHT THE OIL PRICE RISE ABOUT AND ALSO MENTIONED VENEZUELA AND NIGERIA AS BEING THE ONES WHO

STARTED THE TREND TOWARD INCREASED OIL PRICES. SAUDI ARABIA, YAMANI ASSERTED, WAS AGAINST THE OIL PRICE INCREASE BUT FOUND IT IMPOSSIBLE TO CONTROL THE SITUATION. YAMANI FURTHER SOUGHT TO DISCLAIM SAUDI RESPONSIBILITY FOR THE PRICE RISES BY CITING THE FORCES OF SUPPLY AND DEMAND AS BEING RESPONSIBLE (FERNANDEZ ORDONEZ WRONGLY OBSERVED, HOWEVER, THAT YAMANI WAS THE SUPPLY). IN ANY CASE, THE ARABS WERE NOT GOING TO EMPLOY A DISCRIMINATORY PRICE POLICY. ALL CONSUMERS WILL HAVE TO PAY THE SAME PRICE. YAMANI STATED THAT SPAIN'S SUPPLY OF CRUDE PETROLEUM AND THE PRICES THEREFORE WERE "GUARANTEED." HE NEGLECTED, HOWEVER, TO SAY AT WHAT LEVELS OF SUPPLY AND PRICE THE GUARANTEES
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WERE EFFECTIVE.

4. YAMANI STATED THAT HE WOULD LOOK FORWARD TO "INDIVIDUAL" AGREEMENTS (HE AVOIDED THE USE OF THE TERM BILATERAL AND EXCLUDED THE POSSIBILITY OF GROUP ARRANGEMENTS WITH THE CONSUMING COUNTRIES. THE AGREEMENTS WOULD DEAL WITH "ECONOMIC COOPERATION." THE SPANIARDS WERE LEFT SOMEWHAT PERPLEXED BY WHAT WAS MEANT BY THIS

AND STILL DO NOT HAVE A VERY CLEAR IDEA. THEIR GENERAL IMPRESSION IS THAT THE INCREASED COSTS OF PETROLEUM TO SPAIN RESULTING FROM THE PRICE INCREASES WILL BE COMPENSATED FOR BY ARAB IMPORTS OF SPANISH GOODS AND, TO THE EXTENT THAT THIS DOES NOT MEET THE GAP, MOVEMENTS OF ARAB CAPITAL TO INVEST IN SPAIN. FERNANDEZ ORDONEZ ESTIMATED THAT THE INCREASED COST OF CRUDE OIL TO SPAIN ON AN ANNUAL BASIS WOULD BE 2 BILLION DOLLARS AND HE, TOO, WAS CONCERNED HOW IT WOULD BE POSSIBLE TO PAY THIS BILL. IN ORDER TO CLARIFY WHAT THE SPECIFICS OF THE ARAB PROPOSAL MIGHT BE, EVEN THOUGH HE SUSPECTS THEY DO NOT KNOW THEMSELVES, ORDONEZ PLANS TO SEND A MISSION IN THE NEXT WEEK OR SO TO DETERMINE WHAT THE PROPOSED "AGREEMENT" MIGHT INVOLVE.

5. FERNANDEZ ORDONEZ NOTED THAT WHILE YAMANI SPOKE IN ENGLISH AND ABDESSLAM SPOKE IN FRENCH, NEITHER COULD UNDERSTAND ONE ANOTHER WHEN SPEAKING THESE LANGUAGES. FURTHERMORE, THEY DID NOT WISH TO SPEAK IN ARABIC. THE RESULT WAS THAT WHILE THE COMMUNICATION WITH THE SPANIARDS WAS EXCELLENT, SINCE MANY OF THEM SPOKE BOTH ENGLISH AND FRENCH, INCLUDING FINANCE MINISTER BARRERA DE IRIMO, THE COMMUNICATION BETWEEN THE TWO ARABS WAS NIL. IT APPEARED THAT ABDESSLAM WAS ESPECIALLY CURIOUS AND PERHAPS SUSPICIOUS OF WHAT YAMANI WAS TELLING THE SPANISH.
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